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SECURITY INFORMATION**Office Memorandum • UNITED STATES GOVERNMENT**TO : Comptroller *SAC*

DATE: 27 October 1951

FROM : Finance Division

SUBJECT: Request for Increase in Finance Division T/O

1. In our last general request for increased T/O submitted 26 February 1951, we asked for employees to meet the estimated minimum need based upon the work volume level as of January 1951. We did not request provision for future increases because it did not appear that we could safely absorb more new employees at the time. We feel we are now in a position to state more accurately the increased need at this time and to give a reasonable estimate of future needs provided there is no unforeseen major increase or decrease in operations.

2. The need for additional employees divides into four categories. They are:

- (a) To provide for normal expansion of the workload as a result of increased operations in OSO, OPC and other offices;
- (b) To provide for expanded service and workload in the Monetary Branch;
- (c) To provide for the audit of Proprietary Projects;
- (d) To provide for an increased current workload and anticipated major expansion in the requirements for industrial audit (procurement research and development contracts).

3. The following comments are submitted regarding requested increases. These comments are by organization unit in the order in which they appear on the attached T/O chart.

- (a) Registry Unit. A minimum of Clerk-Typist, GS-4, is required to process the present volume of documents which are received, logged, routed, dispatched and filed in this Unit. For comparative purposes, this Unit processed approximately 2,993 items of correspondence, cables, memoranda, etc., in September 1951, whereas at January 1951 the volume of such material was approximately 1,200. It is mandatory that such documents receive prompt attention which is now being given at the expense of proper indexing, cross-referencing and filing. Another function which can be given more attention, after effecting an increase in T/O, is the preparation of documents for micro-filming and/or transferring to archives. This function is especially important in view of the scarcity of space. Based upon volume alone we estimate a minimum of one additional clerk will be required by the beginning of fiscal year 1953.

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- (b) Accounts Branch. The additional requirement of [] 25X1
GS-7, in the Accounting Section of the Accounts Branch is occasioned
by the opening of new field stations and the activation of many 25X1
major projects which for the purpose of accounting are the equiva- 25X1
lent of a station. In January 1951 there were approximately [] sta-
tion and major project accountings which required reconciliation and
processing in this Section. There are now [] such accounts. In
addition this Section performs a major service in the issuance of
special reports and data to the various operating offices. Based
upon the present rate of increase in new accounts, we estimate [] 25X1
additional employees will be required by the beginning of fiscal
year 1953. Our request for [] additional employees Clerk, GS-4, 25X1
in the Records and Reports Section of the Accounts Branch is based
primarily upon the increase in the volume of work processed by this
Section. For example, in January 1951 we processed approximately
1,938 vouchers per month which required approximately 11,628 journal
entries. In September 1951 we processed 2,743 vouchers requiring
approximately 19,944 journal entries. In addition to the increase
in volume there is an imperative need to improve our books and
reports. Such reports must be expanded to include allotments,
advances, obligations and unliquidated obligations. We believe
that a major portion of the work increased by the improvement will
be offset by mechanized accounting. However, there will remain the
substantial increased requirement in the preparation of vouchers,
the verification of daily machine schedules and the prompt issuance
of reports to operations and management. We estimate that one addi-
tional employee will be required by the beginning of fiscal year
1953.
- (c) OPC Certification and Liaison Section. The requirement for [] 25X1
additional Certifying Officers, GS-12, and one Clerk-Stenographer,
GS-4, in this Section is based partly upon the increase in docu-
ments as reflected by the increase in the number of station accounts,
together with a substantial increase in the number of small project
and agent accounts. However, there is another major need which is
not easily measured but which is of vital importance to both the
Finance Division and Operating Offices. This is the need for con-
sultation with regard to all manner of finance business, but es-
pecially with regard to complex project and agent accounts. At
present the limited number of Certifying Officers simply cannot cope
with the expanded volume of work consequently cannot be reached for
much necessary official business. Based upon present trends we
estimate that [] additional Certifying Officers and one additional
Clerk-Stenographer will be required by the beginning of the fiscal
year 1953. 25X1
- (d) OSO and Other Offices, Certifying and Liaison Section. The need
for [] additional Certifying Officers, GS-12 and one Clerk-Stenog-
rapher, GS-4, is for the same reason stated above. In this case,
the Office of Special Operations which has had much more time in

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business than OPC is not, insofar as finance is concerned, expanding so rapidly. However, the new offices of Communications, Training, and Technical Services Staff are expanding rapidly and require greatly increased service. We estimate that an additional Certifying Officer and Clerk-Stenographer will be required by the beginning of the fiscal year 1953.

(e) Current Audit Section. An increase of [] auditors, GS-9, and one Clerk-Stenographer, GS-4, is, we believe, the minimum which will permit acceptable administrative audit of the various field stations and projects, since this Section was recently activated, there is little data for comparative purposes. However, it must now audit approximately [] station and major project accounts per month and is obliged to furnish special audit assistance in the settlement of numerous complicated agent accounts, which, because of the lack of communications, or the nature of the agent's assignment, become in many cases exceedingly difficult and time consuming. At the present time a backlog of approximately [] accounts is being steadily increased at the rate of approximately [] accounts per month. Since the activation of this Audit Section we have been successful in greatly reducing the audit time required in the servicing of these accounts. This has been done through the issuance of improved procedures and by regular correspondence with the various field stations presenting constructive criticism and recommendations. We are continuing in such efforts but because of the uncertainties involved, especially the slow and difficult communications, it is not possible to accurately estimate further results at this time. We now estimate that [] additional Auditor and Clerk-Stenographer will be required by the beginning of the fiscal year 1953 but wish to point out that unless there is a decline in the time required to service each account this estimate must be revised upward.

(f) Propriety Accounts Audit Unit. We base our estimate of [] required positions in this new Unit on the fact that there is now a backlog of work covering the period of approximately 18 months. Until this function was recently assigned to the Finance Division, it had received no attention with the exception of a few audits conducted on a ad hoc basis by various members of the Finance Division. There are now in excess of [] such accounts, some covering extended periods of activity which require audit attention. Actual audit must be conducted by members of the Finance Division or by audit firms under contract whose audit work as such must be supervised by the Finance Division. After experience data is gathered it will be possible to submit request for adjustment in the T/O of this Unit, if appropriate. However, for the purpose of activating this audit and to eliminate the present backlog, we believe that a minimum of the [] requested is now required.

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(g) Payroll Section. The request for additional employees in this Section is based solely upon the increase in Agency employees. Our Payroll Section is concerned more with the various types of allowances than with salary. The processing of such allowances is considerably more complex than normal payroll. Based upon experience with our present IBM Payroll System, an average of [] employees on the rolls is required. We now have approximately [] employees on the rolls. At the present rate of increase six additional Clerks will be required for the fiscal year 1952, and, based upon budget estimates of an increase of approximately [] employees on the Confidential Funds rolls in the fiscal year 1953, [] or more additional Clerks will be required in the fiscal year 1953.

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(h) Agent Pay and Allowance Unit. We have not requested an adjustment in the Agent Pay and Allowance Unit pending more experience in this work which is now being supervised by higher grade Auditors. However, it will be of interest to note that there are now approximately [] agents serviced by this Unit and the number is increasing at the rate of [] per month. As opposed to ordinary business which generally can be handled more efficiently in volume, the processing of agent accounts becomes more difficult as the volume increases. This is especially true in connection with the secret transmittal of funds to the agent, his bank account, or his representative. Both OSO and OPC are assisting the Finance Division in establishing secure agent payment mechanics []. The organization and personnel of this Unit will be made the subject of a separate memorandum when more facts are available.

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(i) Travel Section. The need for an increase of [] Travel Auditors, GS-5, in this Section is occasioned solely by the increase in volume of accounts. In January 1951 we were servicing approximately 800 travel accounts per month whereas in September 1951 this number was increased to 1,400. We estimate that [] additional Clerks will be required by the beginning of fiscal year 1953.

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(j) Monetary Branch. The need for additional employees in the Monetary Branch is occasioned by requirement for expanded service as well as by the general increase in activity. The total workload of the Monetary Branch cannot accurately be measured by either volume of documents or in the amount of funds and other valuables handled. However, the general increase in the number of field stations and projects which must be funded, special banking transactions which must be effected, and material increase in the dollar amount involved generally indicates the need for additional employees. Another important function of this Branch is the advanced planning for monetary operations. This is especially

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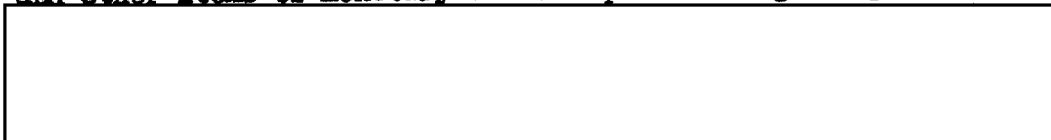
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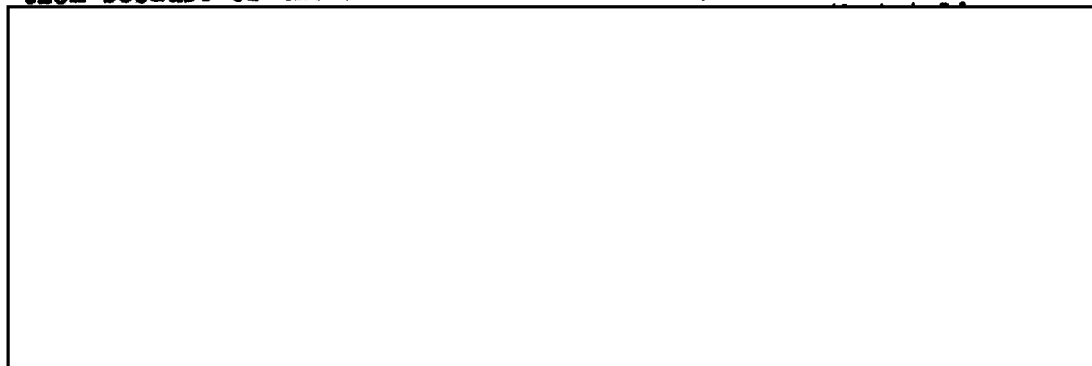
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significant in view of the scarcity of iron curtain currencies and other items of monetary value required in agent operations.




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- (k) Disbursing Section. This Section must now service approximately twenty bank accounts each of which requires special attention because of the nature of the accounts, and is now paying by


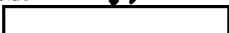


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- (l) The Insurance and Service Unit, which conducts special activities for the benefit of CIA employees in general, will be made the subject of a separate memorandum.
- (m) Planning and Field Audit Branch. One of the major functions of this Branch is the audit of firms engaged under contract by this Agency to furnish goods or services. During the period 19 December 1950 through 10 September 1951, final audit action has been taken on forty-one (41) contracts and twelve (12) purchase orders. These figures are not included in the active contract figures appearing below.

<u>NUMBER OF CONTRACTS</u> <u>SUBJECT TO FIELD AUDIT</u>	<u>AS AT</u>	<u>MONETARY CONSIDERATION</u>
23	2-26-51	
41	6-17-51	
55	10-28-51	

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** Included in the actual count on the "Number of Contracts" are two large agreements where commitments are made on a task order basis and the monetary consideration figures are not available. From information gained through discussions with the Contract Branch, it is estimated that one of the contracts will reach approximately  annually, whereas the other contract is expected to exceed the  figure. We are aware that other contracts have been awarded (where copies have not reached this office) and that other contracts are in the process of award; which will change the picture shown above within a short period of time.

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Active contracts, even with some having been consummated, as shown above, have more than doubled in number; whereas the monetary consideration has increased by nearly five times during a period of approximately eight months. Also, for consideration, is the fact that the above figures represent only the contracts where audit is required to be made in the contractor's plant.

25X1 We have approximately ☐ price contracts requiring payment administration and desk audits. In this connection, it is interesting to note that there has not been a corresponding increase in the fixed price business during the past eight months. The reason for this has been studied and questions have been asked both the Contracting Branch and several contractors. The employees in the Contract Branch are quick to reply that contractors are reluctant to bid on a fixed price basis without having the protection of a cost escape or price redetermination article. The contractors are just as quick to respond with information to the effect that the emergency has created a fast changing market price for supplies and equipment which forces them to either project the unit price upward to the extent that, in many cases, an unrealistic price would be established, or for its protection they have to insist on a contract with some type of a cost escape article which requires audit at the contractor's plant. The consensus is that this situation of fast changing market prices will result in more and more contracts being awarded on a basis that will require plant audit. Even when the emergency is over we should experience the reverse of the above, which will result in a situation where the Government can ill-afford to award contracts on a fixed price basis until the conditions again return to a stable basis.

We are not in a position to definitely determine the number of contracts that will eventually be awarded on a basis requiring audit, but we have been informed by the Purchase Office alone that their best estimate will be 200 during the year. It may be that we will never have 200 contracts active at any one time because we expect to be performing audits and recommending settlement amounts, eventually on a current basis contingent upon the contractor's ability to manufacture and deliver we may reach a point where the Agency can make final settlement under contracts about as fast as other contracts are being written.

There are other offices preparing contracts requiring audit by the Planning and Field Audit Branch that were not previously contemplated. Some of these contracts which are currently scheduled for audit are of such nature and magnitude that protection of the Government's interests demands a full time audit staff to be assigned to the job sites, or contractor's establishments, on a residency basis. The following examples are cited:

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There are a few other functions currently active in the Planning and Field Audit Branch where a reasonably accurate time allocation can be made, which data has not previously been furnished, such as the control of and follow-up on exceptions taken by the audit office, as well as the preparation of reports inherent thereto (approximately 1/4 man year) and the reconciliation of bank statements and executing the audit certifications required (approximately 3/4 man year plus supervisory time and stenographic time in preparing the required certifications). In addition there are other major functions which this Branch should perform but has been unable to do due to the lack of personnel. Such functions include the inspection of field stations and installations and an internal procedural audit of the Finance Division, especially with respect to cash accounts. These functions were believed to be provided for in our present T/O but have been neglected as a result of the major increase in requirements for industrial audits of procurement and services contracts.

It has been imperative that we give priority attention to this latter function. Experience which we have recently gained in this field, especially when we are dealing with contractors who are performing under other work, including fixed price orders, along with CIA cost-plus-fixed-fee contracts, leads us to believe much more attention must be given to this audit function. In addition to the substantial amount of money involved there is for consideration the matter of Agency security in the event of serious dispute with the contractor, since most of the items being procured are considered classified. Preventative measures such as a system survey at the time of issuance of the contract and periodic floor checks and audits are profitable to the Agency in terms of dollars and in addition provide insurance against possible undesirable publicity. We believe that our estimate of the immediate need for [redacted] by the beginning of the fiscal year 1953 is conservative and should be reviewed when the number of additional contracts can be more accurately determined.

4. In view of the unavoidable delay in obtaining clearance for new employees and the urgent need which now exists for such employees favorable consideration at your earliest convenience is requested.

[redacted]
Acting Chief, Finance Division

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